

TOP SECRET
SECURITY INFORMATION

15 November 1951

CIA No. 49429
Copy No.

143

DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

State Dept. review completed

TOP SECRET
SECURITY INFORMATION

SECTION 1 (SOVIET)

1. USSR. M. A. Menshikov replaced as Minister of Foreign Trade: The 10 November issue of Pravda announced the appointment of P. N. Kумыкин as Minister of Foreign Trade. The position had been held since 1949 by M. A. Menshikov who at that time replaced Politburo member A. I. Mikoyan. According to the announcement Menshikov was simply transferred to other work. However, the US Embassy in Moscow believes that he may have been given new duties in connection with the organization of the International Economic Conference now scheduled for Moscow in April.

Viewed in connection with the recent three way shuffle of functional organs within the Ministry of Foreign Trade, Menshikov's removal may have added significance, and at least reinforces the indications of changes in this Ministry. (R Moscow 817, 10 Nov 51)

Comment: Evidence that this Ministry has been undergoing readjustments for some time was noted in [] that shakeups and arrests had occurred in the Ministry of Foreign Trade involving personnel most frequently in contact with foreigners. However, until knowledge of Menshikov's new duties is obtained, it is impossible to determine whether his displacement represents a promotion or demotion.

25X1C

From 1943 to 1956, Menshikov held various important posts in UNRRA, which gave him valuable experience and contacts for work connected with international economic organizations. While a temporary position in charge of the proposed April conference appears below Menshikov's stature, it is, of course, possible that the USSR hopes to use this conference to increase world resentment against US sponsored trade restrictions, and as the first step towards creating a permanent international trade organization to back up the Soviet claims of wishing to promote increased East-West trade.

2. Pravda asserts West's "act of sabotage" at UN General Assembly has failed: Paris TASS correspondent, Yuri Zhukov, asserted in a Pravda article that after the "failure" of the West's "act of sabotage" to prevent the Soviet Union's armament proposal from being placed on the agenda, the USSR's concrete program for peace had compelled Western delegates "to send an SOS to Washington for further instructions."

Zhukov in summarizing the developments in the sessions to date attacked US "San Francisco tactics," and implied that "pressure tactics" will continue to fail because "Paris is not San Francisco" and because of the "aggravated internal contradictions in the camp of capitalism." He added that the "crazy aspirations for the establishment of a

TOP SECRET

TOP SECRET

world-wide American empire spell no good," and warned that the Soviet Union's "broad program for the struggle against the threat of another world war forms the basis on which all proceedings of the session will have to develop." (R FBID, 13 Nov 51)

Comment: The Soviet Union has already suffered a number of defeats in attempting to prevent UN General Assembly consideration of various Western proposals. The tone of propaganda comment on the Paris sessions and of Vyshinsky's attack on the Western disarmament plan reveals the sensitivity of the Kremlin to current Western diplomatic initiatives and the USSR's inability to prevent General Assembly consideration of proposals which the USSR opposes.

3. Soviet occupation authorities in Austria tighten security: The Austrian Chancellor has confirmed reports that Soviet military authorities are in the process of discharging all Austrian civilian employees and replacing them with Soviet personnel.

Further indication of tightened security measures is reflected in the pending Soviet request that the three western powers vacate offices they now occupy in Hofburg Palace. The request will not be honored.

The US High Commissioner in Vienna interprets these Soviet activities as (1) tightening security control, (2) further preventing fraternization of Soviet military with civilians, (3) possibly designed to conceal new moves, and (4) revealing the absence of any Soviet intention to leave Austria. (S to Vienna 1679, 9 Nov 51)

4. CZECHOSLOVAKIA. Transfer of administrative employees is still incomplete: Prague radio has reported that as of October 20, 74,000 out of a planned total of 77,500 clerical workers had been transferred from administration into production. A minority of this group were said to have not "acquired a positive attitude toward production". (R FBID, 8 Nov 51)

Comment: A government mission for the transfer of administrative employees was set up in June for the specific purpose of effecting the planned transfer. The transfer is an attempt to alleviate the shortage of productive manpower caused by increased production targets.

TOP SECRET

TOP SECRET

SECTION 2 (EASTERN)

1. PAKISTAN. Atomic research laboratory to be established: According to an Associated Press item datelined Karachi, the Pakistani Government announced on 14 November that an atomic research laboratory is being set up in Lahore, Punjab Province. The announcement states further that orders have been placed with a Dutch firm for part of the equipment for the laboratory which is expected to be completed late next year. (R News Ticker, Karachi, 14 Nov 51)
2. BURMA. BWPP hopes for "freedom" within year: During its 7 November rally, the pro-Communist BWPP expressed the hope that "next year" Burma would be "free from exploitation by Fascist capitalists." (C Rangoon 457, 9 Nov 51)

Comment: By issuing such a statement, the BWPP clearly demonstrates its adherence to the Communist timetable for control of Burma as expressed by Thakin Than Tun, leader of the BCP.
3. Delegates to Peiping return: The US Embassy in Rangoon reports that four of the seven Burmese delegates to the 1 October celebrations in Peiping have returned. They have been unreserved in their praise of the Chinese Communist regime. The Embassy comments that the press has reacted favorably to these Burmese, particularly to their claims of religious freedom in China. (C Rangoon 457, 9 Nov 51)

Comment: Since all the delegates to Peiping were pro-Communists, such statements were to be expected. It is interesting to note that no concern has yet been expressed regarding the whereabouts of the other three delegates. Two have been reported en route to Vienna via the Soviet Union.
4. THAILAND. Clash between Thai army and police predicted: An armed clash between the Thai army and police force in the near future is predicted by [REDACTED]
[REDACTED] Violence might exceed that of the bloody coup attempt of last June.

Comment: This report is the latest of a series detailing tension between the army and police resulting from the rivalry for power between the Director General of Police and the Assistant Commander in Chief of the Army. Premier Phibun, whose position has been insecure since June, has been [REDACTED] playing the two against each other in order to strengthen his authority. In this strained situation, an inter-service clash is a continuing possibility.

TOP SECRET

TOP SECRET

25X1C

5. INDOCHINA. Preparations for Viet Minh attack reported: The Viet Minh is [] to have begun recruitment of able-bodied men in several provinces of the Tonkin delta, an activity which is usually a prelude to an attack. [] the chiefs of Viet Minh "sections" in Hanoi have been instructed to move into Hanoi from their present suburban locations, and that this order may indicate plans to coordinate a wave of violence within the city with attacks by regular Viet Minh forces throughout the delta. []

25X1C

25X1A

Comment: Recruiting of able-bodied men is a continuing Viet Minh activity. Any accelerated recruiting at this time is probably more a measure of the heavy losses sustained by the Viet Minh during their unsuccessful October operations than of their intention to launch an offensive throughout the delta.

The Viet Minh will probably attack some point or points on the French perimeter during the latter part of November, but not in sufficient strength to threaten Hanoi seriously. The Viet Minh would hardly stage an uprising in Hanoi unless it were strong enough to attempt an all-out attack on the French in Tonkin with a fair prospect of success.

6. De Lattre sees end of Viet Minh by 1953: De Lattre told minister Heath that current French military operations in North Vietnam had proved very successful and would be followed promptly by other local offensives. He could not launch a large offensive until mid-February 1952, when he will have completed his defense works in the Tonkin delta. De Lattre claimed to have received reliable reports that Viet Minh morale was declining, and he felt "utterly confident" that by the spring of 1953 the Viet Minh revolt will have been stamped out. (S Saigon 1016, 13 Nov 51)

Comment: Viet Minh morale is declining but it will not be stamped out until a popular and viable non-Communist government is established. It is very unlikely that this will have been accomplished by 1953. DeLattre's optimistic presentation may be an attempt to justify his return to France on the ground that his mission to destroy the Viet Minh is well on the way to being achieved.

7. INDONESIA. Government suggests early Dutch-Indonesian discussion of New Guinea: The Indonesian Government has handed the Netherlands High Commissioner a memorandum proposing that the West New Guinea issue be included in discussions already scheduled by the two governments for the end of November. "In the interests of good relations" Indonesia suggested that the New Guinea dispute be solved within the next several months--before the Dutch Parliament considers any changes in the Netherlands constitution.

TOP SECRET

15 Nov 51

TOP SECRET

Pending a reply from the Netherlands, the departure of an Indonesian mission for the previously scheduled discussions has been indefinitely postponed. (C Djakarta 707, 12 Nov; U Djakarta 708, 12 Nov 51)

Comment: The Indonesian Government has reacted with some hostility to a proposed change in the Dutch constitution whereby West New Guinea would be listed as part of the territory of the Netherlands Kingdom. Indonesians claim that West New Guinea is rightfully theirs and is only under interim Dutch administration pending disposition of the issue.

Pending a reply from the Netherlands Government, Indonesia has virtually cancelled discussions on the abrogation of the Netherlands-Indonesian Union and revision of the 1949 Round Table Conference agreements. Should the Netherlands prove reluctant to resume negotiations over New Guinea, Indonesia may seriously consider a unilateral abrogation of the Union.

25X1C
25X1

8. CHINA. Communists have adequate rubber supplies: [redacted]

25X1C
25X1

25X1C

[redacted] exclusively for the Chinese Communist army. According to [redacted] experienced no difficulties in obtaining rubber; the local Communist authorities arrange [redacted] an adequate quantity. He states that the rubber is shipped to China from Hong Kong. [redacted]

25X1

25X1A

Comment: The ban on shipments of rubber from Malaya and Hong Kong to China has cut sharply into Chinese Communist purchases of this commodity. However, the Communists probably have a large stockpile as a result of heavy purchases in late 1950 and early 1951. This stockpile, together with small amounts constantly obtained by smuggling, puts the Chinese in a fairly comfortable position with regard to rubber supply.

9. Nationalists propose balanced budget for 1952: The 1952 budget, covering operations of both central and provincial governments on Formosa, estimates revenues at 1,991 million Taiwan dollars (one US dollar equals about 16 Taiwan dollars). Estimated expenditures will be 2,100 million Taiwan dollars, of which 1,229 million is to be spent for military purposes. New taxes are being proposed to bring estimated revenues up to expenditures. (C Taipei TOECA 1189, 11 Nov 51)

Comment: Nationalist success in achieving at least an approximate balance in the budget is essential to remove the threat of inflation. The Nationalists are genuinely concerned with the problem and have accepted US guidance in the preparation of the budget. The Economic Stabilization Board, which approved the 1952 budget, has several American officials represented on it as observers.

TOP SECRET

TOP SECRET

25X1
25X1C

25X1

25X1C

25X1C

China transfers rail employees to North Korea: [redacted]
[redacted] the Chinese mainland report no obvious economic strains resulting from the Korean war, [redacted]
[redacted] states that the railroads are suffering from a shortage of personnel because of the assignment thus far of 38,000 railway personnel to North Korea. [redacted] adds that the Chinese Communist Ministry of Railways anticipates that more personnel will have to be sent and concludes that there will therefore be many difficulties in maintaining China's railways during the next three months. (S Hong Kong 1395, 12 Oct 51)

Comment: The number of railway workers reportedly assigned to North Korea is probably correct and comes to about a tenth of the total number of railway workers in China. Despite the reportedly tight labor supply, the Chinese so far have proved fairly proficient in maintaining rail operations. Civilian traffic has suffered because of the priority given to military shipments, but the railroads are continuing to support effectively the Chinese war effort.

11. KOREA. Continued evidence of North Korean agricultural troubles seen:
A 10 November North Korean domestic broadcast complained that "since the making of straw bags is not being carried through by systematic methods, we must extend our working hours into the night." (R FBID Pyongyang, 10 Nov 51)

Comment: Straw bags are the primary agricultural containers utilized in Korea. Normally manufactured from rice straw during the non-growing seasons, a shortage of straw bags could prove an additional severe handicap for the already beleaguered North Korean internal supply system. Such shortages are probably directly attributable to the acute lack of agricultural manpower.

12. KOREA/JAPAN. Korean-Japanese conference nears recriminative end: At the seventh meeting of the Korean-Japanese talks on 12 November, the Japanese admitted that the forthcoming "February meeting" for full-fledged treatment of outstanding problems between the two countries would not include finalizing the questions of fisheries, marine cables, and claims, and that the treaty of friendship, commerce and navigation could not be negotiated until "next summer."

In a tense atmosphere, ROK Ambassador Yang accused the Japanese of stalling, but failed to sway the Japanese position that "they have no obligations directly to Korea under the Peace Treaty."

The ROK Ambassador privately expressed later that he would "raise

TOP SECRET

TOP SECRET

hell" in Washington if the Koreans were "brushed off." The US Political Advisor to SCAP believes the Japanese will "partly recede" from their position. (C Tokyo 1015, 13 Nov 51)

Comment: The history of relations between the two nations will make almost every problem on the agenda the subject of protracted negotiations. The question of timing is essential to both parties in the negotiation of outstanding questions between the two countries. Korea desires to reach an agreement prior to the return of full sovereignty to Japan so that the leverage of "the occupation" may be used, while Japan, for similar reasons, desires a postponement of any major agreement.

TOP SECRET

TOP SECRET

SECTION 3 (WESTERN)

1. GERMANY. West Germans wary of retaliation against Soviet interference in Berlin, ask four-power talks on matter: West German officials, meeting on 12 November with HICOM representatives, displayed extreme reluctance to implement the specific trade countermeasures recommended by the Allies against Soviet harassing in Berlin. They stressed that too strong a move would provoke more serious Soviet interference, and could only be accompanied by Allied action expanding the current air-lift. The West Germans agreed, however, to instruct firms not to deliver certain scheduled key shipments to East Germany, and to issue no more trade permits on such shipments. French and British officials were reluctant to force drastic action.

The West Germans also asked that four-power talks be initiated on the Berlin problem, but were informed of the tentative HICOM decision not to take the initiative on this matter, but to be prepared to discuss the problem on the invitation of the USSR. (S Frankfurt 3816, 13 Nov 51)

Comment: The HICOM had previously agreed that if the Soviet obstruction of West Berlin export permits was still continuing on 12 November, the West Germans would be instructed to revoke a temporary East-West German trade agreement covering key goods. The action finally agreed to by the West Germans does not go that far.

Further indications have been received from [REDACTED] of Soviet feelers for four-power discussions of Berlin trade difficulties. The French High Commissioner expressed the view on 8 November that the Allies should make some response to this desire, but the HICOM deferred discussion of the issue.

25X1C

2. FRANCE. Communists uneasy under government repression: French Communists are seriously concerned lest the recently tightened anti-Communist bloc in the National Assembly pass broader repressive measures against them. Party leaders have obviously been struck by the overwhelming vote for the recent bill designed to weaken the Communist press and have publicly accused all the non-Communist parties of "envisaging serious attacks on civil liberties." Other anti-Communist measures under attack have been "de facto elimination" of Communist deputies from the Foreign Affairs Committee and a proposed procedural reform providing for discussion and adoption of laws in secret committee rather than in public assembly sessions. (C Paris 2801, 10 Nov 51)

TOP SECRET

TOP SECRET

Comment: Although the Communists have retained their influence over labor, the party has been increasingly on the defensive since its last participation in the government in 1947. Repressive measures during the past year have caused it considerable uneasiness, and have served effectively to isolate it politically.

3. France presents import needs to USSR: Trade negotiations between France and the USSR began 8 November. French requirements include grain, non-ferrous metals, coal, asbestos, fuel oil, woodpulp and newsprint. Soviet representatives did not comment on the availability of these items, and stated that they would submit their own requirements in the near future. (C Paris 2812, 10 Nov 51)

Comment: Although the French profess strict adherence to COCOM restrictions, the search for non-dollar imports may tempt them to stretch their interpretation of "critical" exports. They have reserved the right to export limited quantities of critical items to the Orbit in exchange for "vital" imports, and French officials have recently stressed France's need for more imports from the Soviet bloc.

4. Socialist leader gives verbal support to Pleven government: The Secretary-General of the French Socialist Party, Guy Mollet, has stated he will "do his utmost" to keep the Pleven government alive. With the backing of a majority in the party's executive committee, however, he is determinedly opposed to participation by the Socialists in the government, where they would be "prisoners of a rightist majority," thus leaving the Left entirely open to Communist exploitation.

Regarding the possibility of a coalition including the Gaullists, Mollet comments that he has no desire to bring about a crisis which might "install a Salazar" in France. (C Paris 2796, 10 Nov 51)

Comment: Despite an increasing number of friendly overtures from the Communists, the Socialists seem determined to play the role of "buffer" between the extreme left and Pleven's middle-of-the-road regime, which they consider too rightist to warrant Socialist participation. Mollet's stand buttresses other recent indications that the current coalition will not crumble this year.

TOP SECRET

TOP SECRET

5. AUSTRIA. Government moves to terminate four-power censorship: Chancellor Figl has advised Ambassador Donnelly that the coalition parties will introduce a joint resolution in Parliament instructing the government to cease salary payments to Austrian employees of the Quadripartite Censorship Bureau. Overwhelming approval of the resolution is anticipated, whereupon the Austrian Government will inform the four occupying powers that Allied censorship activities will no longer be maintained at Austrian expense. Ambassador Donnelly assured Figl of US support in this move. (S Vienna 1665, 9 Nov 51)

Comment: Western efforts to terminate quadripartite censorship of Austrian international communications have been blocked by Soviet opposition and by Western reluctance to give the Soviet authorities a free hand in censorship through Western nonparticipation. The Austrian move is by no means assured of success. If the Soviet Headquarters continues to insist upon censorship, the West may be compelled to continue its association with the objectionable activity and to pay the Austrian salaries out of occupation-costs funds.

6. Communist Party conference demands Austrian association with Eastern Orbit: At the conclusion of its 15th Congress last week, the Austrian Communist Party (KPOe) adopted a resolution demanding that Austria dissociate itself from the Atlantic Pact, that the Union of Independents (VdU) be prohibited, that Austria withdraw from ERP and intensify trade relations with her Eastern neighbors, and that wages and salaries be raised to offset price increases since last summer. (R FBIS, Vienna Volkstimme, 6 Nov 51)

Comment: The KPOe line does not vary materially from previous statements of party attitude, and was considerably influenced by the simultaneous convention of the World Peace Council, by Soviet propaganda with respect to Austrian remilitarization, and by current government efforts to negotiate a new economic program. The party conference, however, was notable for an unusual candor with respect to KPOe capabilities and for the fixity of its attention on Western defense preparations. Chairman Koplenig, acknowledging the impossibility of organizing strikes and public demonstrations on every issue, asserted that the KPOe does not immediately aspire to the formation of an Austrian People's Democracy, but will freely support any Austrian government opposed to cooperation with the West.

TOP SECRET

TOP SECRET

7. BELGIUM. Belgo-Polish trade agreement reportedly to be signed:
The Belgian press has reported that a new trade agreement between Belgium and Poland will be signed in November. (U Brussels Joint Weeka 44, 31 Oct 51)

Comment: No official confirmation of this report has been received. There has been no information on the commodities to be exchanged under the agreement, although the Belgian Government has not "admitted contemplating" a commitment of strategic items to Poland in return for coal.

8. NETHERLANDS. Socialist trade union protests government's socio-economic policies: At a recent well-attended Socialist trade union meeting at Utrecht, a strong protest against the government's socio-economic policy was voiced. The trade union was especially alarmed at the lack of policy to balance foreign trade, to protect the standard of living, to construct homes at the present rate, and "to maintain opportunities for employment." The government was asked to construct at least 50,000 houses in 1952 and to control investments directly. (U The Hague, Joint Weeka 44, 2 Nov 51)

Comment: To insure fulfillment of the government's defense program, the Socialist trade union agreed, albeit reluctantly, to support the Catholic-Labor government's economic policy providing for a five percent cut in the standard of living among all segments of the Dutch population. Labor, however, has taken about a seven percent cut, and no remedial action is in sight at present.

9. ITALY. Italian officials seek to remedy surplus in European Payments Union: Italy's surplus in the European Payments Union (EPU) rose by another 64 million dollars in October to make a total of 206 million. This surplus is thus one million dollars more than is permitted. Budget Minister Pella and other Italian officials are now in Paris to discuss new Italian trade and payments measures designed to remedy the situation and to reach an agreement on the disposition of the surpluses accruing beyond the Italian quota. (S Rome Joint Weeka 45, 9 Nov 51)

Comment: The accumulation of such large Italian surpluses in the EPU is in part attributable to the fact that steps taken last year to liberalize most of Italy's imports have not had the expected effect. This appears to be due to the Italian general customs tariff, which came into force about the same time as the liberalization measures and which is considered by financial experts to be too high.

TOP SECRET

TOP SECRET

Consequently, the government has authorized the temporary abolition of all quotas and other quantitative restrictions affecting most goods imported from the European Payments Union.

Another method of reducing the Italian surplus in the EPU has been offered by ECA officials in Rome. They suggest that if Italy embarks on an adequate program of defense spending, increased domestic demand will be sufficient to stimulate Italian imports so that the EPU surplus will be reduced. However, Pella is unlikely to approve such a course of action because of his fear of inflation.

10. Italian Government anti-strike bill meets widespread opposition.
The Italian Government is about to present its final draft of the long expected anti-strike bill, which is less stringent than anticipated but apparently still unacceptable to both Communist and non-Communist labor unions. All strikes are to be preceded by compulsory conciliation. Those in public services are permissible only after a seven-day notice, and those in the government service are outlawed. Lockouts are prohibited under penalty of fine or imprisonment.

Aside from the opposition from labor, the Italian Confederation of Industrialists (Confindustria) objects to the lockout provisions. A long discussion of the bill in Parliament seems probable, with final passage in doubt unless modifications are made to satisfy dissident groups. (S Rome Joint Weeka 45, 9 Nov 51)

Comment: Another reason for labor's opposition to the bill is that it would in effect prevent strikes in protest against the mass dismissals of surplus workers which plague Italian industry.

The Communists would undoubtedly welcome passage of the bill as a useful issue for exploitation. The government's support of the bill is likely to alienate labor further and to push the non-Communist unions into greater cooperation with the Communist-controlled Italian General Confederation of Labor.

11. UNITED KINGDOM. British request broadening of military aid criteria:
The British Defense Ministry has asked the US Military Assistance Advisory Group in London whether the military aid given Great Britain by the United States under the Mutual Defense Assistance Program can be applied to (1) research and development equipment, (2) technical assistance for the overhauling of US type equipment, (3) component parts, (4) engineering construction equipment, and (5) British forces not committed to NATO. (S London 2297, 12 Nov 51)

TOP SECRET

TOP SECRET

Comment: For many months British officials have attempted to bring about a broadening of the criteria by which US military aid to Britain is determined. They probably see an immediate opportunity for increased aid, pending the results of NATO studies, and quite independent of any forthcoming requests for US economic assistance.

12. NORWAY. Trade agreement with Czechoslovakia concluded: Trade agreement negotiations between Norway and Czechoslovakia have been concluded, according to a Norwegian Foreign Office official. In addition to non-strategic commodities normally exchanged by the two countries, the agreement provides that Norway will send 500 tons of aluminum in exchange for 500 tons of ship plates from Czechoslovakia. The Foreign Office official expressed his doubt that this latter exchange would ever materialize, since difficulties in fulfilling inspection requirements for the ship plates may prove insurmountable and Norway will not export any aluminum until receipt of the plates is assured. (S Oslo 460, 9 Nov 51)

Comment: Norwegian officials initially made some attempts to exclude aluminum from the agreement, despite their conviction that the Czechoslovaks would, as they ultimately did, make any agreement contingent upon aluminum imports. Norway was willing to include aluminum rather than precipitate a breakdown in trade relations.

TOP SECRET

Approved For Release 2002/05/20 : CIA-RDP79T01146A000500250001-0

25X1

Approved For Release 2002/05/20 : CIA-RDP79T01146A000500250001-0

TOP SECRET
SECURITY INFORMATION

15 November 1951

CIA No. 49429-A
Copy No. 49

S/S CABLE SUPPLEMENT

TO THE DAILY DIGEST

Not for dissemination outside O/CI and O/NE.

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

TOP SECRET

SECTION 2 (EASTERN)

1. EGYPT. Egyptian Minister of Interior indicates interest in Middle East Command: The Egyptian Minister of Interior, who is also the politically powerful Secretary General of the Wafd Party, has informed the US Ambassador in Cairo that Egypt could accept the Middle East Command under certain conditions.

Comment: The fact that the second most influential official in the Egyptian Cabinet has followed the Prime Minister in broaching Egypt's possible acceptance of the Western defense scheme indicates that the Government's abrupt rejection of the plan three weeks ago did not close the door to further negotiations on the subject. It is noteworthy that the Sudan issue was not mentioned.

The wide gap, however, between Egyptian and Western thinking on the defense issue and the extreme demands made in public by Egyptian Government officials still minimize the hope for any settlement.

SECTION 3 (WESTERN)

2. AUSTRIA. Western strategy on Austrian settlement blocked by French opposition: With the British Foreign Office having now accepted in principle a new approach on an Austrian settlement, it is apparent that the primary obstacle to an attempt to negotiate an Austrian treaty remains French opposition to the abbreviated treaty proposal suggested by the US. The British and Austrian Foreign Ministers have agreed to the shorter treaty draft, provided it is submitted as an alternative proposal subsequent to a failure to achieve agreement on the old treaty. The French Foreign Office, however, shows no signs of relenting in its disagreement with this procedure.

Recent approaches to the French Foreign Office have confirmed that French opposition reflects (1) a conviction that the Soviet Union is less likely to approve the shorter treaty than the old draft, (2) a belief that introduction of the new proposal will swing world public opinion against the West, and (3) a fear that Soviet rejection of the abbreviated treaty will destroy the mechanism of the treaty discussions and lead to a fundamental

TOP SECRET

TOP SECRET

alteration in the status quo in Austria which these discussions have until now maintained. The French are in favor of -- but will not insist upon -- conceding to the Soviet Union on the outstanding issues in the old draft in a supreme effort to obtain agreement, and they favor threats to withdraw previous concessions if the Soviet authorities remain adamant. Foreign Office officials assert, however, that they have no intention of dropping their opposition to any effort which they feel may jeopardize the Deputy Foreign Ministers' Conferences as such.

The US State Department is increasingly concerned over the deadlock, pointing out that more than two months have elapsed since the Western Foreign Ministers called for a resolute effort on the Austrian treaty. An attempt will probably be made to resolve the impasse with a direct approach to Foreign Minister Schuman in Paris. (Factual data based on: S S/S London 2202, 6 Nov 51; S S/S Paris 2689, 6 Nov 51; S S/S Vienna 1640, 7 Nov 51; S S/S to Paris TOSEC 19, 10 Nov 51)

3.

Soviet Government seen reluctant to discuss Austrian treaty in

Paris: The Soviet political adviser in Vienna has questioned Austrian Foreign Minister Gruber as to the likelihood of US reference of the Austrian treaty dispute to the UN General Assembly in Paris. According to Gruber, the Soviet adviser indicated that his government is reluctant to discuss this subject at the Paris meeting, and will take the position that the USSR is in favor of an Austrian treaty provided World War III can be prevented. The Austrian Foreign Minister interprets the adviser's observation as indicating that the Kremlin will sign such a treaty only as part of a general settlement of world issues. (S S/S Vienna 1691, 9 Nov 51)

Comment: The Soviet Government may be puzzled as to what to expect from the West on the Austrian treaty in view of the Foreign Ministers' declaration in Washington calling for a resolute effort. Gruber has strongly supported an appeal to the UN on the Austrian issue, but has otherwise indicated his belief that an Austrian settlement will be achieved only with a general relaxation of world tensions.

TOP SECRET